

<b>Decision maker:</b>	<b>Cabinet member contracts and assets</b>
<b>Decision date:</b>	<b>13 November 2018</b>
<b>Title of report:</b>	<b>Development and regeneration programme Hereford Football Stadium refurbishment preliminary appraisal</b>
<b>Report by:</b>	<b>Programme director growth</b>

## **Classification**

Open

## **Decision type**

Non-key

## **Wards affected**

Widemarsh;

## **Purpose and summary**

To approve the scope and cost of the first stage of appraisal services to be provided by the council's developer partner, Engie Regeneration, in respect of a potential project to refurbish and redevelop part of the Edgar Street Stadium, the Blackfriars Stand and the West Stand, supported by funding from the provision of new commercial uses which meet the needs of the wide community of stakeholders and are complementary to the local area including the Old Market.

The Herefordshire Economic Vision was adopted by Council in December 2016 as the Economic Development Strategy for the county. This identifies the regeneration of Edgar Street Stadium, home to Hereford Football Club, as a key opportunity for redevelopment as part of the masterplan for regenerating central Hereford. The council has undertaken an initial assessment of redevelopment options and discussions with HFC regarding their priorities and those of the Council.

The council has entered into an overarching agreement with Engie Regeneration, a developer, for a programme of development and regeneration over the next 10 years and potentially beyond. In accordance with that agreement, the developer partner will be commissioned to develop a project through the mechanism of a "New Project Request" and will progress the project in "Stages".

The New Project Request specifies the council's initial requirements and its criteria for the

development, which can be refined as the project moves forward.

The developer partner has estimated the cost of the Stage 1 appraisal services which include the development of the outline business case and a proposed programme for delivery. These costs are required to be underwritten by the council as specified in the overarching agreement.

## **Recommendation(s)**

**That:**

- (a) the redevelopment of the Edgar Street stadium be placed into the development and regeneration programme (DRP);**
- (b) a new project request to carry out a preliminary (“Stage 1”) appraisal of development options for the Edgar Street Stadium Blackfriars Stand and West Stand be issued to Engie Regeneration, in accordance with the council criteria set out within Appendix 1 of this report;**
- (c) a Stage 1 Development Fee of up to £120k be approved to be underwritten by the Council under the terms of its overarching agreement with Engie Regeneration; and**
- (d) A capital sum of £50k is approved for drawing down from the Development Partnership capital budget in order to support the council in delivering Stage 1 of the project, including the covering of staff costs and external advisers to the council.**

## **Alternative options**

- 1 The council could choose not to proceed with this work. However, a high level feasibility study has indicated that there is potential for the redevelopment of all or part of the ground. Elements of redevelopment have some commercial potential or have lower cost implications and are worthy of further consideration. The work being requested will inform understanding of the opportunities including costs and benefits of potential redevelopment options including the potential for re-providing the southern stand which is not utilised due to its current condition and its failure to meet required standards. This is a key driver for the appraisal. Implementation of the project will be subject to further governance, informed by the business case.
- 2 The council could choose to offer the opportunity for the market to deliver a redevelopment, under a procured contract for works. However, this is not recommended at this stage. The purpose of the preliminary appraisal work recommended in this report is to ensure that the council is well informed as to the potential opportunities, challenges and constraints of the proposed redevelopment of the site. Once that work is complete both the council and its development partner, Engie, have the ability to decide if they wish to proceed with further detailed work on the project, or not. If the decision was not to proceed with Engie then other options, including offering a scheme to the market, could be explored at that time.
- 3 The council could include replacement of the East ‘Merton’ stand with 800 seats, the main facilities, player and officials changing, administration, executive accommodation, bars, conference and private function facilities. However, including this option at this stage was considered too high cost and would be disruptive to the operation of the football club at this stage in its development.
- 4 The council could include the replacement of the North ‘Meadow’ stand with standing

capacity for 1,500 and concourse facilities. However, this option was considered to offer too little impact compared to the cost of re-providing the facilities at this time and would also be disruptive if included at this stage.

## **Key considerations**

### **Background**

- 5 Edgar Street stadium (see site plan at Appendix 2) is the home of Hereford Football Club (HFC). It is the largest football stadium in the county of Herefordshire and is located on the edge of Hereford city centre, adjacent to Blackfriars Street and Edgar Street (A49). It has a capacity of circa 5,000. The council owns the freehold for the site. The pitch and three stands, excluding the Blackfriars stand, is leased to Hereford Football Club Ltd. This lease is currently due to expire on 31<sup>st</sup> July 2030. There are two telecoms leases on the Blackfriars end of the stadium.
- 6 Despite some improvement works, the existing stadium is dated (the last major development was in the early 1970s and some of the stadium is much older than that) and, with the south stand out of use, it doesn't meet HFC's aspirations and will lead to non-compliance with FA minimum standards if the club is promoted to higher leagues. Its appearance does not enhance the streetscape, particularly in the context of the successful mixed-use Old Market scheme immediately to the south, the Herefordshire Housing Limited (HHL) scheme which is currently being developed and the proposed Premier Inn immediately to the east and facing Blackfriars Street.
- 7 The stadium is a prominent landmark in the city which provides enjoyment and entertainment to a significant section of the community.

### **Policy Context**

- 8 The Edgar Street Stadium, home to Hereford Football Club, is located within the regeneration area bounded by the new city link road, Station Approach. Immediately to the north of the Old Market development, it forms a key location close to the city centre. The Herefordshire Economic Vision was adopted by the Council as its economic development strategy for the county in December 2016. This strategy identified the regeneration of the stadium as a key opportunity within the masterplan for regeneration of central Hereford. The strategy identifies the potential for small scale retail and accommodation to be provided alongside improved facilities for supporters to enable the stadium to become a focal point at the heart of the city of which the club, its supporters and the city can be proud. Consultations with Hereford FC confirmed that there is no appetite, at this stage, for considering the re-location of the stadium and the improvement of the ground would represent a positive contribution to the gathering pace of regeneration taking place in this area of the City.

### **Initial Assessment**

- 9 The council commissioned an initial assessment from its developer partners into the potential for redeveloping the stadium (architectural services for feasibility study – officer decision 6/4/2018). The report was developed by the specialist architects FWP based on input from the council and the Football Club and drawing on FWP's experience in designing and delivering high quality non-league football stadiums and knowledge of the regulatory and 'ground grading' requirements of the Football Association (FA) and others – Appendix 4.
- 10 The assessment considered the site area shown on the plan in Appendix 2.

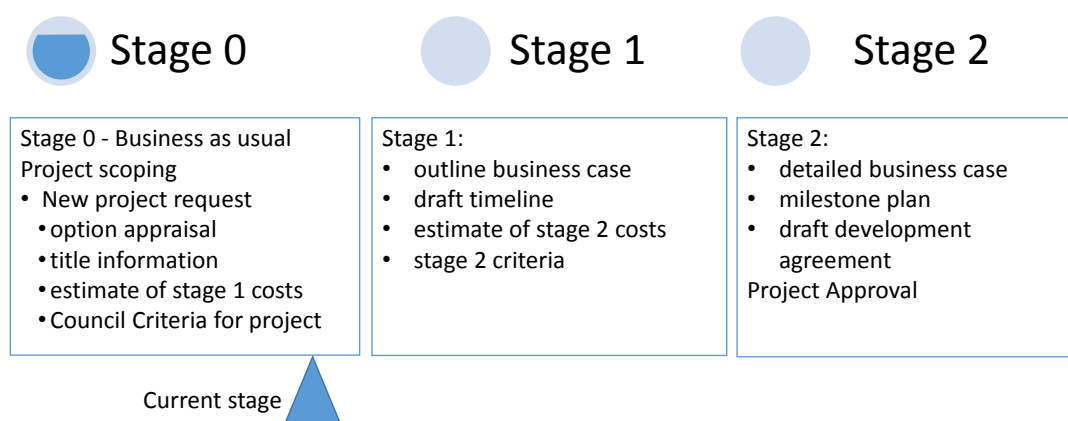
- 11 The assessment identified a four potential elements for a phased redevelopment of the entire ground with the conditional aim of addressing the need to improve the Blackfriars stand. The total cost of delivering all these elements was estimated to be approximately £15m. It should be noted that these costs are indicative and exclude VAT, statutory and professional fees, cost of remediation or contaminated material, asbestos survey and removal, diverting or upgrading incoming services, etc. Whilst this provides an initial assessment of costs, further work through the next stages of any project development process would need to identify and quantify the impact of these unknowns. An assessment of the demand and viability of the proposed residential accommodation element of the project has not yet been done and will be included in the next stage of the project.
- 12 The Herefordshire economic vision identified maintaining and improving the quality of life within the county as one of its key aims. Working with Hereford Football Club to refurbish the Edgar Street ground to provide a range of ancillary uses and improve the facilities available to the club and supporters was identified as an important project.
- 13 The council has worked with its development partner to assess the options available for redevelopment of the stadium. The priorities for the option appraisal were to maximise the positive impact of any redevelopment work while minimising the requirement for investment by the council. The impact of the options was assessed against criteria that included the suitability of the ground to meet Football Association requirements in different leagues, the ability to support ancillary uses for the ground, and the visual impact of the ground. The financial criteria included impact on club revenues and ability to support alternative revenue streams.
- 14 The results of the initial assessment of options have been discussed with HFC to understand their priorities and views. Taking into account the views of the club and the results of the initial assessment work, the redevelopment of the Blackfriars Stand has been identified as a priority. This priority is based upon the stands' current condition, potential options for redevelopment which may support the business case and its prominent location opposite the Old Market. The West Stand has also been identified as in need of improvement to ensure that the ground is suitable for the future needs of the club and to improve the visual appearance of this significant structure at its frontage with Edgar Street. Additionally, the redevelopment of these two particular elements has been provisionally assessed by the council and Engie as a project which can be readily scoped, defined and costed and therefore is attractive as a potential first phase of any longer term plan for the refurbishment and redevelopment of the stadium. The study will also need to consider the consequential impacts on the environs surrounding the north and east stands resulting from the refurbishment of the stadium's southern and western stands only at this stage.

### **Conclusion and Next Steps**

- 15 Given the output of the initial assessment and the feedback from HFC, it is recommended that the redevelopment of the Edgar Street stadium be added into the Development and Regeneration Programme. In line with the DRP stage process (see above) a new project request will be provided to Engie with the Council Criteria (see Appendix 1). Engie will be requested, within 3 months, to provide a Stage 1 submission, including outline business case and indicative timeline. If the Stage 1 submission is approved, a full business case will subsequently be developed within the timescales agreed in stage 1 to inform a decision as to whether to progress the project.

- 16 The proposed scope of work to be carried out and criteria for delivering an acceptable Stage 1 submission of this project are included in appendix 1. They include the objective of demonstrating the potential for a replacement football stand at the Blackfriars end of the site, which is financially supported by an income stream created by the development of one or more commercial and/or accommodation spaces also at that end of the site, potentially comprising student accommodation or other use linked to the Herefordshire Economic Vision objectives or the accommodation strategies/needs of the council or its partners. In addition, whether the business case for such redevelopment would also support or enable the refurbishment of the West Stand.
- 17 These criteria can be modified if the council decides to proceed with a further Stage of the project. The Stage process set out in the council's overarching agreement with Engie, and the position of this project within it, is illustrated below.

## DRP – stage process



## Community impact

- 18 The council's corporate plan 2016-2020 includes supporting the growth of our economy as a strategic priority. The wider Herefordshire economic vision sets out an ambitious framework for economic growth within the county and is supported by the core strategy. Delivery of the core strategy and economic vision will rely on significant investment in a variety of developments across the county.
- 19 Supporting the corporate plan and economic vision, the council's property strategy for 2016 to 2020 includes the objectives to maximise the economic benefits of the council's property asset base and to support economic development and housing growth.
- 20 Successful refurbishment of the Hereford football stadium has the potential to significantly contribute to the corporate plan, through support for the economic vision and core strategy, and the corporate property strategy by allowing the council to maximise the benefits from its development sites.

- 21 The project will contribute directly to the invest Herefordshire objective to make Herefordshire a great place to live by working with Hereford Football Club to refurbish the Edgar Street ground to provide a range of ancillary uses and improve the facilities available to the club and supporters. This will contribute to developing a broader range of visitor and leisure attractions and increase the length of visitor stay and amount of spend.

## **Equality duty**

- 22 Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- 23 A public authority must, in the exercise of its functions, have due regard to the need to:
- a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 24 The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation. An equality impact assessment will be carried out as part of the project.

## **Resource implications**

- 25 The council is required to underwrite the developer's properly incurred costs for this Stage 1 project appraisal. These capital costs will be not more than £120k (comprising £100k and £20k contingency).
- 26 The council's internal spend to support the development of the stage 1 submission directly associated with the project will also be capitalised. A budget of up to £50k for this stage of the project has been allocated. The resources will be released from the Development Partnership capital budget.
- 27 Stage 1 of the project will deliver a feasibility study: what the scheme will comprise and an initial cost estimate and programme, outline business case and estimated timeline. Stage 1 includes desk top background studies only but will look at a range of options for the areas in scope. More intrusive survey works (including ground investigations and the like) will be undertaken during Stage 2.
- 28 If the project does not ultimately proceed through the DRP any feasibility costs will be funded from revenue reserves.

## **Legal implications**

22. The council has procured its development partner Engie Regeneration through an EU compliant procurement process. The council has entered into a legally binding

overarching agreement with the developer and this report explains how a potential project relating to Hereford Football Stadium is proposed to be progressed in accordance with the process set out in that overarching agreement.

23. This report identifies the Stages through which the project will proceed, subject to approval by the Executive, at each Stage. The overarching agreement provides a contractual framework within which the developer will incur costs and deliver services which enable the council's Executive to assess whether a project should proceed. The overarching agreement requires the developer to set out its expected costs for each Stage and essentially the council is required to underwrite these costs in the event that the council subsequently refuses to proceed with the project despite the developer demonstrably meeting the Council Criteria (termed an "improperly rejected project" in the overarching agreement).
24. There are no other significant legal implications arising from the project at this stage.

## Risk management

- 29 The key risks around the development of the outline business case for the redevelopment of Edgar Street stadium are:

Risk / opportunity	Mitigation
The Stage 1 preliminary appraisal does not result in an acceptable project to the council	There is no commitment at this stage from the council to carry out any or all of the redevelopment. However, the council will be liable for the Stage 1 Development Programme Fee if it decides not to go ahead with the next Stage of the project in circumstances where Engie has demonstrably met the project criteria which the council has set.
The Stage 1 preliminary appraisal does not result in an acceptable project. In carrying out this work expectations may be raised and cancellation may lead to disappointment and reputational damage.	Stakeholders including the football club will be involved in this stage of the project and will be aware that this is the preliminary appraisal of a potential project.
Demand for commercial uses of the site may not sufficient to fund the redevelopment.	<p>The council and its developer partners are working closely with Hereford College of Arts (HCA) and NMiTE to understand and quantify demand. Insights will be used to underpin the outline business case.</p> <p>The Stage 1 appraisal will explore the demand for a variety of enabling uses not just accommodation</p>

- 30 Risks are managed according to the council's performance risk and opportunity management framework, and recorded on a service risk register, being escalated to the

directorate or corporate risk register according to the significance of the risk.

## **Consultees**

- 31 Consultations have taken place with: the local member who is content that development options are considered through the development and regeneration programme; and the football club who are supportive of the proposals.

## **Appendices**

Appendix 1 – Council criteria

Appendix 2 – Hereford football stadium location plan

Appendix 3 – Hereford football stadium photograph

Appendix 4 – Hereford Football Club Feasibility Study (v1.0)

## **Background papers**

None